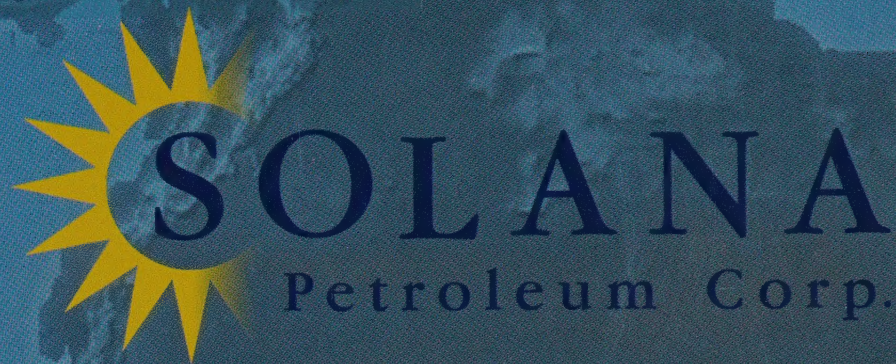


AR60

Windsport Business Reference number
University of Alberta
1-18 Business Building
Edmonton, Alberta T6G 2R6



LAUNCHING AN INTERNATIONAL EXPLORER

1998 ANNUAL REPORT

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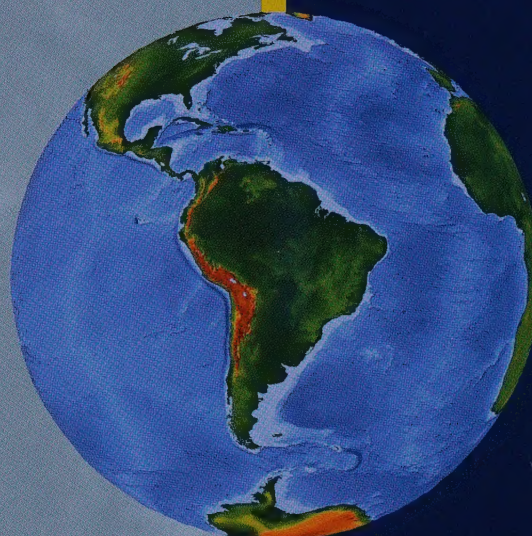
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CORPORATE PROFILE

Solana Petroleum Corp. is an energy company headquartered in Calgary, Alberta, Canada and is concentrating its efforts on petroleum exploration in Latin America. The Company is currently participating in oil exploration programs in Colombia, South America. It is led by a team of former senior executives from major international oil and gas producers with extensive experience in Colombia and other important international oil producing regions.

Solana was incorporated in March 1998 and became a publicly-traded company in November 1998, raising capital for the acquisition, exploration and development of oil properties in Colombia.

The Company has acquired substantial interests in the Tapir and Caño Caranal properties, held under Association Contracts with ECOPETROL, the Colombian state oil company. Both are located in the hydrocarbon-rich Llanos Basin of northeastern Colombia in the larger Sub-Andean Basin, a major oil producing geological trend extending from eastern Venezuela to Argentina. The Tapir and Caño Caranal Blocks are both pipeline-accessible to either export or domestic markets. Both properties are operated by Mohave Colombia Corporation, a subsidiary of Mohave Oil and Gas Corporation of Houston, Texas.

The company's first exploratory well, Mateguafa #1, on the Tapir Block, was tested as a new oilfield discovery at a rate of up to 777 barrels per day of light, sweet, 32 degree API crude oil. Appraisal drilling at Mateguafa will commence in the fourth quarter of 1999. Permitting has begun for a 50-kilometer seismic survey on the Caño Caranal Block to define the first drill location in this highly-prospective Contract Area.

Solana intends to acquire other petroleum properties in Colombia having outstanding production potential, as well as oil prospects in other established Latin American oil producing countries, utilizing the many years of experience of its executives in the region.



Photo Courtesy of ECOPETROL

**Hydrocarbon-rich Llanos Basin
is Located in the Larger
Sub-Andean Basin**

MESSAGE FROM THE PRESIDENT

Dear Shareholders:

As will be seen from the notes accompanying the enclosed consolidated financial statements, 1998 was a very significant first year of existence for Solana Petroleum Corp. These events include Solana's incorporation in the Province of Alberta on March 25, 1998, the successful completion of three private placements totaling \$2.3 million, and an Initial Public Offering of \$3.0 million. They also include the acquisition of substantial interest in two large and highly-prospective exploratory tracts in the prolific oil-producing Llanos Basin of Eastern Colombia and the discovery of petroleum on one of these tracts.

On the first block, held under the Tapir Association Contract with a 38.125% interest accruing to Solana, along with the Operator, Mohave Colombia Corporation (38.325%), Seven Seas Petroleum (11.875%), and Doreal Energy (11.675%), the company lost no time in participating in the drilling of Mateguafa #1 Exploration well. This well encountered good oil and gas shows from multiple zones. Heavy rains and flooding in the Llanos then forced suspension of operations before the well could be tested.

Subsequent testing of Mateguafa #1 in the first quarter of 1999 yielded up to 777 barrels per day of light, sweet, 32° API gravity oil from Oligocene Carbonera "C-7" Sandstones at about 8200 feet. A preliminary independent third party consultant's report credited Mateguafa #1 with a minimum of 15 to 19 million barrels of petroleum resources, depending on petroleum recovery rates utilized, of which 2.6 - 3.0 million barrels is in the proven reserve category.

Since my message to you in May, Solana has received a report from independent engineering consultant, H. J. Gruy and Associates of Houston, Texas, commissioned to further evaluate the Mateguafa Field. Their report indicates probable reserves of 5.5 million barrels gross, or 2.1 million barrels net to Solana. And it will be possible to re-classify a portion of the probable reserves to "proven reserves" when a 20-kilometer pipeline system is constructed. In addition, their report ascribes to the Mateguafa structure "possible reserves" of 29,419,000 gross barrels and "prospective resources" of 65,848,000 gross barrels, or 11.2 million and 25.1 million net barrels respectively to Solana.



*Caño Caranal Block and
Tapir Block, Llanos Basin*

An appraisal well, Mateguafa #2 is scheduled for later this year, as soon as the annual rainy season abates and a rig can be moved to the location. Mateguafa #2 will test the southerly structural limits of the "C-7" sands, which were deemed productive in the Mateguafa #1. It is thought that one other zone in the Mateguafa #1, the Cretaceous Guadalupe Sandstone, which tested formation water, may in fact be productive, as water-channeling behind casing from lower formations was incurred during the test of this zone and may have obscured potential oil production. If the Guadalupe Formation is productive, the area of the Mateguafa field and its oil reserves will be substantially increased.

As several pipelines with outlets to the marine export terminal at Coveñas pass through or are near to the Tapir Block, preliminary development economic studies (including pipeline routing and construction cost estimates) are currently underway. These studies are being made with a view toward enabling Solana and its partners to be able to place Mateguafa into a "commercial" production status in the event the Mateguafa #2 appraisal well is successful.

On Solana's other block in the Eastern Llanos Basin, the Caño Caranal Association Contract, held 50/50 with Operator, Mohave, preliminary permitting began in the first quarter of 1999 for a 50 kilometer seismic survey. This survey will delineate the best drill location in the seismically-indicated "N" structure, a 250+ million barrel target, located about 33 kilometers west of the 1.2 billion barrel Caño Limon field. Caño Limon is still producing 127,000 BPD, after thirteen years of production! If permits can be obtained in time, a well location for the "N" structure will be proposed for drilling in the latter part of 1999. Twenty-five leads and prospects, in addition to the "N" structure, exist on the Caño Caranal Block.

Subsequent to the end of 1998, Solana and its Tapir partners drilled a dry hole at "Caporal #1" in a stratigraphic prospect on a large "wedge out" of the Cretaceous Ubaque sandstone.



Oil & Gas Pipelines – National Network in Colombia

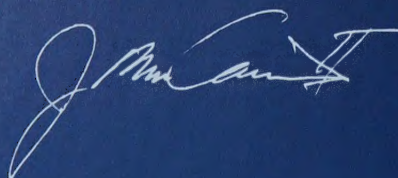
Unfortunately, no commercial quantities of hydrocarbons were encountered and the well was plugged and abandoned in March of 1999. However, six additional structurally-controlled prospects, similar in appearance to the Mateguafa discovery, remain to be tested on the Tapir Block.

Solana and partners have applied for additional acreage in the Llanos in the vicinity of Tapir, which if granted by ECOPETROL, the Colombian state oil company, will enhance the value of our oil production prospects in the area.

When this message was initially distributed in May, 1999, we told you the Colombian Government had recently approved a change in royalty rates from a flat 20% to a sliding royalty from 5 - 25% based on production levels. We were informed that smaller fields such as Mateguafa could expect to incur royalties of 5 - 10%. Subsequent to that report, it has been learned that the change in royalty will apply only to new discoveries made after the legislation has been formally enacted, or in connection with recent ECOPETROL property tenders. Therefore, the Mateguafa Field, tested in early 1999, will be subject to the usual flat 20% royalty.

I would like to take this opportunity to thank all our shareholders for their support during the past year. The drop in oil prices at mid-year, made our financing efforts a bit more difficult in the latter half of 1998. However, with the current improvement in oil prices to 20-month highs and our exciting prospects for the discovery of more oil at Mateguafa and at other locations on the Tapir Block, as well as some very large targets on the Caño Caranal Block, I look forward to the coming year with great expectations. If we accomplish as much in 1999 as we did in 1998, we will indeed be very pleased. Despite a difficult year for the oil industry, with your continued support, Solana was able to accomplish its objectives for 1998, and then some!

Sincerely,



J. Bruce Carruthers II
President



***Mateguafa Structure Has
"Possible Reserves" of
29,419,000 Gross Barrels and
"Prospective Resources" of
65,848,000 Gross Barrels***

LAUNCHING AN INTERNATIONAL EXPLORER

In less than a year, Solana Petroleum has transformed itself from a start-up into a successful exploration company. Solana's rapid progress can be described as remarkable, having taken place amidst depressed oil prices and an uncertain investment capital market for oil and gas explorers.

Within a few months of becoming publicly-traded, on November 7, 1998, the Company announced its first discovery well in Colombia, the focus of Solana Petroleum's exploration and development activities. The discovery well, Mateguafa #1, encountered promising oil shows in four zones totaling over 90 feet of potential pay. One of these zones tested 777 barrels per day of 32 degree API light sweet crude, from one of three potentially productive sands within the C-7 Carbonera Sands of Oligocene age.

Behind this impressive success is a leadership team with a combined total of more than 150 years experience in the oil and gas industry, most of it in the international arena. These proven reserve-builders for major oil and gas companies brought to Solana an extensive knowledge of Colombia's oil and gas industry, and an enviable track record for raising exploration capital.

Solana Petroleum started life at a brisk pace. It was founded on March 25, 1998 as an Alberta corporation with a board and management that included former senior executives of Occidental Oil and Gas, Shell, and BP Canada. Within months, the Company had completed three private placements totaling \$2.3 million, and secured interests in two oil-producing regions of the Llanos Basin in northeastern Colombia. The Basin is estimated to contain up to 25 billion barrels of oil in place, and includes the giant Caño Limon field of 1.2 billion barrels of recoverable resources, and the Cusiana-Cupigua field complex of some 2 billion barrels.

Soon after, the Solana board decided to go public. The initial public offering was oversubscribed, raising \$3 million for exploration and additional interests in the petroliferous Llanos Basin. In late 1998, despite oil prices bottoming out at US \$10.73 a barrel (West Texas Intermediate), Solana successfully completed an additional private placement for \$900,000 to pursue its 1999 drilling program.

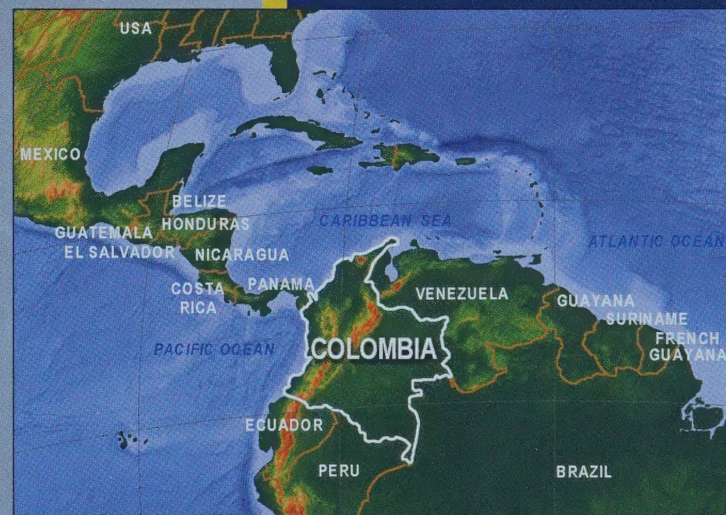
High-Potential/Under-Explored

Solana's board and management chose Colombia quite deliberately as the Company's initial focus. Colombia is one of the most under-explored, high-potential regions in the Western Hemisphere, with a stable democratic government that is encouraging oil and gas exploration and development.

Colombia became a net exporter of hydrocarbons in 1983, following the Caño Limon discovery in the Llanos Basin. However, based on the current growth in domestic consumption, the country is facing the possibility of oil imports by 2005 without new oil and gas discoveries. As a result, Colombia has announced a policy to aggressively promote oil and gas exploration.

A testament to the favorable investment environment is the accelerating growth in oil and gas exploration by international companies, which has quadrupled in last 12 years. Currently, some 60 international oil and gas companies are pursuing an estimated 100 exploration projects in Colombia.

In contrast to mature oil and gas regions, only 30 percent of Colombia's prospective areas have been geologically explored. And while the average size of new discoveries is declining in mature oil and gas regions around the world, Colombia has the potential of very large reserves with low finding and operating costs.



*Colombia's Foreign Oil & Gas
Investment Quadrupled
in Last 12 Years*

In keeping with its plan to accelerate oil and gas exploration and development, Colombia recently approved a reduction for future discoveries in its royalty rates from a flat 20 percent to a sliding royalty scale ranging from five percent to 25 percent, depending on production levels. This favors smaller fields and will have a positive economic effect on our future exploration successes. Mateguafa #1 however, will incur a 20 percent royalty.

Oil and gas exploration in Colombia is governed by Association Contracts with ECOPETROL, Colombia's state oil and gas company. The Association Contracts formalize the terms of exploratory commitments and production sharing, and are negotiated by explorers either directly with ECOPETROL or, more recently, on a public bid basis.

Extensive Experience in Colombia

Being successful internationally in the oil and gas industry involves much more than locating high-potential prospects. The principals of Solana have more than 150 years of collective experience in the petroleum business, both world-wide and in Colombia. Their international experience covers all petroleum disciplines: exploration, engineering, production, transportation, marketing, legal, negotiating and sensitivity to local conditions.

The Prolific Llanos Basin

Solana has focused exclusively on the Llanos Basin, the most productive oil and gas sedimentary basin in Colombia. To date, some 340 exploratory wells have been drilled in this 208,000-square-kilometer area along with some 66,000 kilometers of seismic work. ECOPETROL estimates that the Basin contains 25 billion barrels of oil in place. The Basin currently accounts for approximately 59 percent of Colombia's oil production.

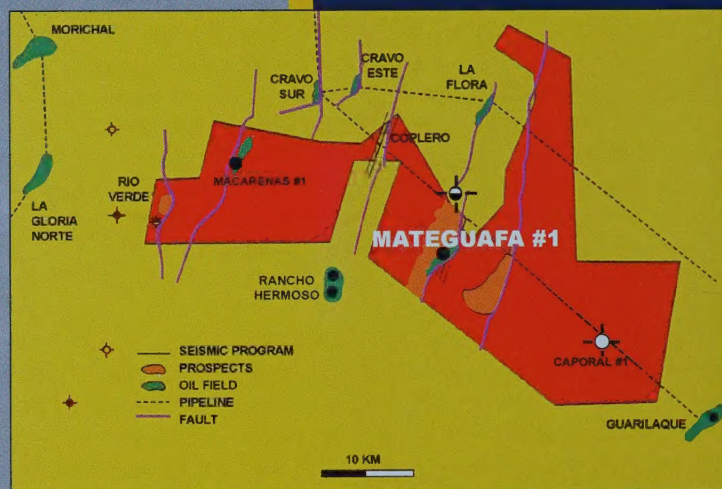
Seismic work indicates the existence of numerous geological prospects, many with potential reserves between 50 million to 250 million barrels of oil. In addition, the Basin's varied geological structures exhibit attractive reservoir qualities such as porosity, permeability, water-drive and reservoir continuity. Explorers have experienced high success to date with success ratios of between 22 and 36 percent.

With the existence of a significant oil and gas infrastructure in the Llanos Basin, including pipelines providing access to domestic markets and a large marine export terminal, Solana's projects require relatively low threshold reserves to be economically viable. Solana's current strategy is to focus on two highly complementary prospects in the Llanos Basin:

1. The Tapir Block prospects, location of Solana's initial discovery well Mateguafa #1, which offer lower risk and thus the potential for early production and sustaining cash flows, and
2. The Caño Caranal Block prospects with higher risks but potentially containing larger reserves, with at least 26 seismically defined structures and "leads", one of which could contain up to 250 million barrels.

Early Success in Tapir

Solana has a 38.125 percent working interest in the Tapir Association Contract which currently covers 116,309 gross acres (after a recent 50 percent relinquishment) in the Llanos Basin and is crossed by two pipelines serving nearby oil fields. The other partners in the Tapir Contract include Doreal Energy with 11.660 percent, Seven Seas Petroleum with 11.875 percent and the operator, Mohave Colombia Corporation with 38.330 percent.



*Tapir Block with Solana's
Discovery Well Mateguafa #1*

Solana's first exploratory well on the Tapir Block was on the Mateguafa prospect, a 3,500-acre fault closure which resulted in a new field discovery.

The Mateguafa #1 discovery well announced in early 1999, flowed up to 777 barrels of light, sweet 32 API gravity crude oil from multiple zones. Independent engineering studies by the Houston consulting firm of H.J. Gruy and Associates indicate probable reserves of 5.5 million barrels gross, or 2.1 million barrels net to Solana. In addition, a portion of the probable reserves can be re-classified as "proven reserves" when a 20-kilometer pipeline system is constructed at an estimated cost of US \$3 million. Additionally, "possible reserves" of 29,419,000 barrels and "prospective resources" of 65,848,000 barrels are ascribed to the structure.

An appraisal well, Mateguafa #2, has been approved for drilling by the Tapir partners when the 1999 rainy season ends, which is anticipated in the fourth quarter of 1999. After reviewing the results of this appraisal well, plans for additional drilling and pipeline engineering will be evaluated by the Tapir partners. There are at least six more well-defined prospects in the Tapir Block which are structurally similar to the Mateguafa #1 discovery well.

Promising Caño Caranal

Solana holds a 50 percent working interest in the 126,000-acre Caño Caranal exploratory block with the operator, Mohave Colombia Corporation holding the remaining 50 percent.

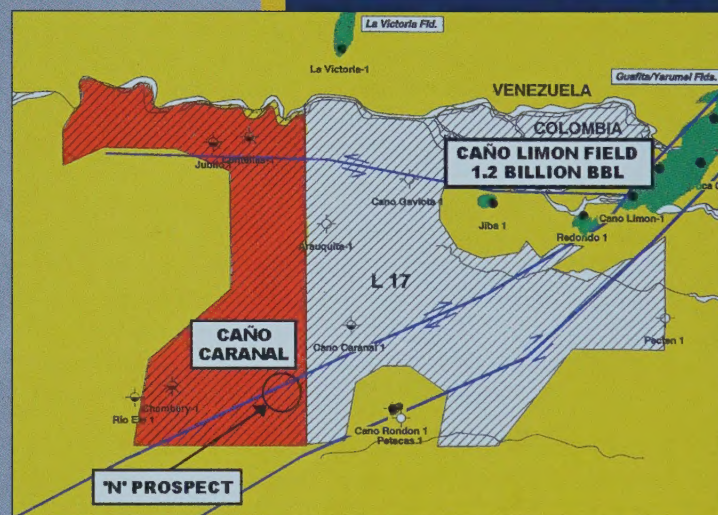
This block is in the vicinity of several large producing oil fields, including being "on trend" with the giant Caño Limon field. This prolific field originally contained over 1.2 billion barrels of recoverable reserves and, after 13 years of production, is currently producing 127,000 barrels a day. The main pipeline from the Caño Limon field passes through the northern portion of the Caño Caranal Block thus providing access to the deep-water export terminal at Coveñas.

Considerable geologic and seismic work has been completed in this Contract Area by Occidental and Mohave which identified some well-defined exploration prospects, including 11 prospects each exceeding 50 million barrels of potential oil reserves.

Caño Caranal partners have started preliminary work on a 50-kilometer 2D seismic survey of the largest of the above prospects with a potential of over 250 million barrels, to delineate an exploratory drilling location for consideration next year.

In 1999, Solana received approval from the U.S. Securities and Exchange Commission for what is known as a "12g Exemption", enabling the shares of the Company, as an unregistered private issuer, to be traded in over-the-counter markets in the United States.

Solana began life with aggressive strategies and ambitious goals, a philosophy that is quickly producing satisfying results. It is one the Company will pursue vigorously in the coming year.



*Caño Caranal Block Prospects with
Potential Larger Reserves
at Higher Risks*

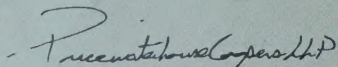
AUDITOR'S REPORT

To the Shareholders of Solana Petroleum Corp.

We have audited the consolidated balance sheet of Solana Petroleum Corp. as at December 31, 1998 and the consolidated statements of operations and deficit and changes in financial position for the period from March 25, 1998, the date of incorporation, to December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements fairly, in all material respects, the financial position of the Company as at December 31, 1998 and the results of its operations and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles.



PricewaterhouseCoopers LLP
Chartered Accountants

CONSOLIDATED BALANCE SHEET

(Canadian dollars)

Period ended December 31, 1998

Assets

Current assets

Funds held in trust	\$	5,592
Cash and term deposits		2,521,111
Accounts receivable		2,823
		2,529,526

Capital assets (Note 4) 986

Petroleum and natural gas properties 1,285,689

	\$	3,816,201
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Liabilities

Current liability

Accounts payable \$ 104,791

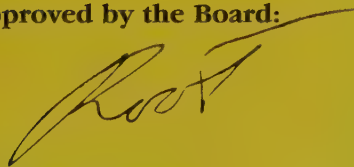
Shareholders' Equity

Share capital (Note 5) 3,844,768

Deficit (133,358)

		3,711,410
	\$	3,816,201

Approved by the Board:



Bill Root, Director



Ray Cej, Director

CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT

(Canadian dollars)

Period ended	December 31, 1998
	(Note 1)
Interest income	\$ 24,852
Expenses	
Accounting fees	19,126
Depreciation	423
Consulting and engineering fees	30,167
Legal Fees	26,295
Management fees	26,311
Office	87,189
Travel	8,698
	198,209
Loss before foreign exchange	(173,357)
Gain on foreign exchange	39,999
Loss for the period	(133,358)
Deficit, beginning of period	—
Deficit, end of period	\$ (133,358)
Loss per share	\$ (.02)

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

(Canadian dollars)

Period ended	December 31, 1998
	(Note 1)
Cash was provided by (user for)	
Operating activities	
Loss for the period	\$ (133,358)
Changes in non-cash working capital items	102,391
	(30,967)
Investing activities	
Purchase of capital assets	(1,409)
Petroleum and natural gas properties	(1,285,689)
	(1,287,098)
Financing activities	
Issue of common shares	4,386,741
Share issue costs	(541,973)
	3,844,768
Increase in cash	2,526,703
Cash, beginning of period	–
Cash, end of period	\$ 2,526,703

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Canadian dollars unless otherwise noted)

December 31, 1998

1. INCORPORATION

Solana Petroleum Corp. was incorporated under the Business Corporations Act (Alberta) on March 25, 1998. The private company restrictions were removed by Certificate of Amendment dated April 6, 1998.

2. SIGNIFICANT ACCOUNTING POLICIES

Consolidation

These consolidated interim financial statements include the accounts of the corporation and its wholly-owned Cayman Islands subsidiary, Solana Petroleum Holdings Limited and its wholly-owned Cayman Islands subsidiary, Solana Petroleum Exploration (Colombia) Limited.

Petroleum and natural gas properties

The Company follows the full-cost method of accounting for its oil and natural gas properties whereby all costs relating to the exploration for and development of oil and gas reserves are capitalized. Costs include lease acquisitions, geological and geophysical activities, drilling both productive and non-productive wells and certain general and administrative costs.

All of the Company's development activities are carried out in Colombia and conducted jointly with others. Only the Company's proportionate interest in such activities is reflected in these financial statements.

As the Company is in the pre-production stage and does not have any producing properties, depletion and depreciation on petroleum and natural gas properties has not been recorded.

Capital assets

Capital assets are stated at cost and are depreciated over their estimated useful lives using the declining-balance method at an annual rate of 30%.

3. FUNDS HELD IN ESCROW

The Company has entered into an agreement to purchase a 38.125% participating interest in an oilfield exploration program ("Tapir") in Colombia, South America. Under the terms of the agreement, an escrow agent retains the U.S. \$425,000 purchase funds. In May, 1998 U.S. \$100,000 was released from escrow when other Tapir participants waived their preferential purchase rights. In November 1998, the balance of the funds in escrow (U.S. \$325,000) were released when Colombian Government entities approved the transfer to the Company of an initial 10% participating interest in Tapir. Transfer of the remaining 28.125% participating interest is subject to final approval by the Colombian Government entities.

4. CAPITAL ASSETS

	Cost	Accumulated depreciation	Net 1998
Computer equipment	\$ 1,409	\$ 423	\$ 986

5. SHARE CAPITAL

(a) Authorized

- (i) Unlimited number of first preferred shares
- (ii) Unlimited number of second preferred shares
- (iii) Unlimited number of common shares

The first and second preferred shares may each be issued in one or more series and the directions are authorized to fix, before issuance, the number of shares in and the designation, rights, privileges, restrictions and conditions attaching to the shares of each series.

(b) Issued and outstanding

14,746,964 common shares	\$ 4,386,741
Less: Share issue costs	541,973
	<u>\$ 3,844,768</u>

On March 25, 1998, the Company issued 4,000,000 common shares at \$0.05 per share. On April 16, 1998 the Directors authorized the private placement of a maximum of 5,000,000 common shares at \$0.25 per share. The 4,746,964 shares issued by way of this private placement are subject to a hold period of one year from the date that the Corporation becomes a reporting issuer in the Province of Alberta. The Corporation paid an agency fee of 7.5% of the gross proceeds of the private placement. In addition, the Agent was granted an option to purchase up to 474,696 common shares at an exercise price of \$0.50 per share. This private placement option will expire 24 months from the date of the final prospectus, which was September 28, 1998.

On October 29, 1998, the Company issued, through an initial public offering, 6,000,000 units at \$0.50 per unit. Each unit consisted of one common share and one common share purchase warrant (the "Warrant"). Two Warrants entitle the holder to purchase an additional common share at \$0.75 per share on or before May 31, 1999. The Corporation paid an agent's commission of 10% of the gross proceeds of the offering. In addition, the agent was granted an option to purchase up to 600,000 units at an exercise price of \$0.50 per unit on or before September 28, 2000.

(c) Stock options

The Corporation has established a stock option plan for the benefit of directors, officers, and employees of the Corporation. At October 31, 1998, 1,474,690 options had been granted at a price of \$0.50 per share. The options are granted for a five year period, expiring in 2003.

6. INCOME TAXES

For income tax purposes, the Company has losses carried forward which can be used to reduce future years' taxable incomes. The losses expire as follows:

2005 \$120,274

In addition, the Company will be able to claim share issue costs of approximately \$542,000 against future years' taxable incomes.

The potential benefits relating to the available losses and deductible capital cost allowances and share issue costs have not been recorded in these financial statements.

7. COMMITMENTS

On June 15, 1998 Solana Petroleum Exploration (Colombia) Limited ("Exploration") executed an Option Agreement whereby Exploration may elect to farm-in to obtain a 50% working interest in an oilfield exploration program ("Caño Caranal") in Colombia, South America. Under the terms of the agreement, Exploration made a non-refundable option payment of U.S. \$25,000 on June 17, 1998. On August 31, 1998 Exploration entered into a Joint Operating Agreement regarding Caño Caranal. The agreement requires that Exploration contribute 50% of direct exploration costs plus indirect charges calculated at 2% - 5% of annual expenditures with a minimum of \$10,000 per month. The Corporation has also entered into a Technical and Administrative Service Agreement related to Caño Caranal effective June 15, 1998. Participation in Caño Caranal is subject to approval by Colombian government entities.

8. RELATED PARTY TRANSACTIONS

For the period ended December 31, 1998, the Company paid certain Directors approximately \$190,000 for consulting and management fees. Of that total, approximately \$160,000 was capitalized in petroleum and natural gas properties and the balance is included in management fees expense. The Company has entered into consulting and management agreements with certain Directors. The monthly payments under these agreements are U.S. \$18,000 and Cdn. \$6,000.

9. FINANCIAL INSTRUMENTS

The financial instruments of the Company are comprised of funds held in trust, cash and term deposits, accounts receivable and accounts payable. The fair market value of these instruments does not differ significantly from their stated values. At December 31, 1998, the change in income for each one percent change in interest rates is not material to the financial statements.

10. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, or other third parties, will be fully resolved.

11. SUBSEQUENT EVENT

On February 17, 1999, the Company issued, through a private placement, 1,800,000 units at \$0.50 per unit. Each unit consisted of one common share and one common share purchase warrant (the "warrant"). Two Warrants entitle the holder to purchase an additional common share at \$0.75 per share on or before May 31, 1999. The Corporation paid an agent's commission of 7% of the gross proceeds of the offering. In addition, the agent was granted an option to purchase up to 90,000 units at an exercise price of \$0.50 per unit on or before February 17, 2000.

BIOGRAPHIES OF DIRECTORS AND OFFICERS

James B. Taylor – *Chairman, Board of Directors*

Mr. Taylor is a co-founder of Solana Petroleum and a director of Willbros Group, Inc. (NYSE), international contractors serving the oil and gas industry. He is a former executive vice president of Occidental Oil and Gas Corporation with more than 35 years experience in world-wide exploration, development and production of oil and gas. Mr. Taylor led Occidental's Colombian Operations during the discovery and development of the giant Caño Limon field in the Llanos Basin, and was executive vice-president and chief operating officer of Canadian Occidental Petroleum from 1990 to 1993. Mr. Taylor also served as a director of Arakis Energy from 1996 to 1998.

J. Bruce Carruthers II – *President and CEO*

Mr. Carruthers is a co-founder of Solana Petroleum, with 39 years experience in international resource exploration and development, principally in South America and Africa. For almost 20 years, Mr. Carruthers served in various positions with Occidental Oil and Gas, including director of international trade from 1987 to 1989, and petroleum supply manager for Occidental of Colombia Inc. (Bogota) from 1985 to 1987. Prior to that he held positions with Mobil Oil sales and supply in Tripoli, Libya and the Texaco economics department in New York.

Raymond P. Cej – *Director*

Mr. Cej, a co-founder of Solana and a former Shell Oil executive, served as president and CEO of Arakis Energy Corp., an international oil and gas company listed on NASDAQ, from February, 1998 until its sale in October, 1998 to Talisman Energy Corporation. From November, 1996 to January, 1998, he was president and CEO of Kyrgoil Corp., an oil and gas company listed on The Toronto Stock Exchange. Prior to 1996, Mr. Cej spent 26 years with Shell Canada and was responsible for all upstream activities.

Oscar A. Blake – *Vice-President Business Development, and Director*

Mr. Blake is private consultant serving the international oil and gas industry. He has more than 30 years experience in the international petroleum business. Prior to forming his consulting practice, he was General Counsel and Executive Vice-President for Occidental Oil and Gas Corporation from 1987 to 1996, focusing on business development and strategic initiatives.

William W. Root – *Chief Financial Officer and Director*

Mr. Root, an engineer and co-founder of Solana, has been a consultant to the oil and gas industry since March, 1991. From 1984 to 1990, he served with British Petroleum Corp. as Offshore Senior Drilling Supervisor, Drilling Superintendent, and as Supervisor of Engineering – Drilling and Completions.

Wayne R. Stromme – *Vice-President Canadian Operations and Director*

Mr. Stromme is a co-founder of Solana Petroleum and president of W.R. Stromme International Ltd., a private consulting company. Prior to forming his own company in 1997, Mr. Stromme managed retail and wholesale operations in British Columbia and Alberta for 22 years for Jim Pattison Industries.

Nicolas S. Swagor – *Director*

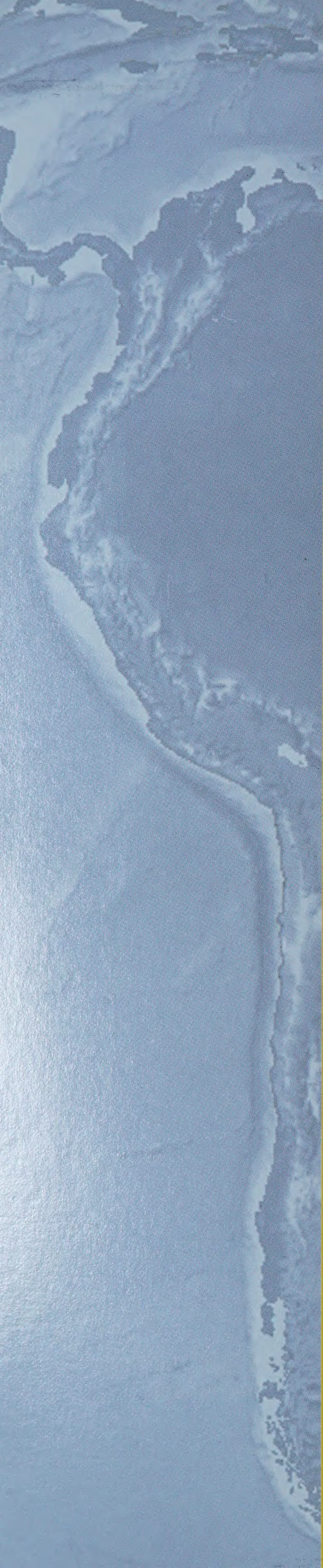
Mr. Swagor is president and a director of Bison Resources Ltd., an oil and gas company listed on The Alberta Stock Exchange, and a co-founder of Solana Petroleum. Prior to joining Bison in 1997, he was president of Outrider Resources Ltd., an oil and gas company listed on The Alberta Stock Exchange. Mr. Swagor is also president of Nicata Investment Corp., a private consulting company.

CORPORATE INFORMATION

Auditors:	PricewaterhouseCoopers LLP 1200, 425-1 st Street S.W. Calgary, AB T2P 3V7
Bankers:	Bank of Montreal Main Branch 340-7 th Avenue S.W. Calgary, AB T2P 0X4
Evaluation Engineers:	H. J. Gruy and Associates Houston, Texas
Legal Counsel:	McLeod & Company 800, 11012 Macleod Trail Calgary, AB T2J 6A5
Stock Exchange:	Alberta Stock Exchange Symbol: SOP
Transfer Agent:	Montreal Trust Company 600, 530-8 th Avenue S.W. Calgary, AB T2P 3S8
Investor Contact:	Wayne Stromme, Vice President Canadian Operations Jim Taylor, Chairman of the Board
Head Office:	Solana Petroleum Corp. 510, 505-8 th Ave. S.W. Calgary, Alberta, Canada, T2P 1G2 Telephone: (403) 261-9019 Fax: (403) 261-7816 Toll free: 1-877-261-9019 E-mail: info@solanapetroleum.com Internet: www.solanapetroleum.com
Annual Meeting:	The annual general and special meeting of shareholders of Solana Petroleum Corp. will be held at 10:00 a.m. MT, Wednesday, September 15, 1999, in the Glacier Lily Room of the Sheraton Suites Hotel, 255 Barclay Parade S.W., Calgary, Alberta, Canada T2P 5C2



*The Solana Team Combined, Has
More Than 150 Years Experience in
the Oil and Gas Industry*



SOLANA PETROLEUM CORP.

Suite 510, 505 – 8th Ave. SW

Calgary, Alberta

T2P 1G2, Canada

Phone: (403) 261-9019

Fax: (403) 261-7816

Toll free: 1-877-261-9019

www.solanapetroleum.com